

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>		Printed Name		License Number

BIRCH RUN TOWNSHIP

Saginaw County, Michigan

FINANCIAL STATEMENTS

March 31, 2008

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	8
Statement of Activities.....	9
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet.....	10
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	13
<i>Proprietary Funds:</i>	
Statement of Net Assets.....	14
Statement of Revenues, Expenses, and Changes in Net Assets.....	15
Statement of Cash Flows.....	17
<i>Fiduciary Funds:</i>	
Statement of Net Assets.....	19
Notes to Financial Statements.....	21
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund.....	36
Budgetary Comparison Schedule – Downtown Development Authority Fund.....	37
Budgetary Comparison Schedule – Library Fund.....	38
Other Supplemental Information:	
<i>General Fund:</i>	
Detailed Schedule of Revenues.....	40
Detailed Schedule of Expenditures.....	41
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet.....	45
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	46
<i>Fiduciary Fund:</i>	
Statement of Changes in Assets and Liabilities.....	47
Schedules of Indebtedness.....	48



INDEPENDENT AUDITORS' REPORT

To the Township Board
Birch Run Township
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Birch Run Township, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Birch Run Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Birch Run Township, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Birch Run Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Berthiaume & Co.

September 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

BIRCH RUN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

Overview of the Financial Statements:

Birch Run Township's discussion and analysis is a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2008. The information presented here should be read in conjunction with the financial statements and the notes to the financial statements that follow.

Government-wide Financial Statements:

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the Township's net assets and how they have changed. Net assets – the difference between the Township's assets and liabilities – are one way to measure the Township's financial health.

The government-wide financial statements of the Township are divided into two categories:

Governmental Activities – Most of the Township's basic services are included here, such as the public safety, public works, and recreation departments, and general administration. Property taxes, State-shared revenue, charges for services, grants, and transfers provide much of the funding.

Business-type Activities – The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer system is included here.

Fund Financial Statements:

The fund financial statements provide more detailed information about the Township's most significant funds – not the Township as a whole. Funds are accounting tools that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

Governmental Funds – Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary Funds – Services to which the Township charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short- and long-term financial information.

Fiduciary Funds – The Township is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the Township cannot use these assets to finance its operations.

BIRCH RUN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

Government-Wide Financial Analysis:

The following table shows, in a condensed format, the statement of net assets at March 31, 2008 and 2007:

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Assets:						
Current assets	\$ 1,302,296	\$ 1,215,048	\$ 2,116,961	\$ 1,960,200	\$ 3,419,257	\$ 3,175,248
Capital assets	<u>1,730,795</u>	<u>1,754,638</u>	<u>3,090,004</u>	<u>3,179,937</u>	<u>4,820,799</u>	<u>4,934,575</u>
Total assets	<u>3,033,091</u>	<u>2,969,686</u>	<u>5,206,965</u>	<u>5,140,137</u>	<u>8,240,056</u>	<u>8,109,823</u>
Liabilities:						
Other liabilities	52,572	48,286	139,130	41,516	191,702	89,802
Long-term liabilities	<u>294,650</u>	<u>322,889</u>	<u>1,309,818</u>	<u>1,488,168</u>	<u>1,604,468</u>	<u>1,811,057</u>
Total liabilities	<u>347,222</u>	<u>371,175</u>	<u>1,448,948</u>	<u>1,529,684</u>	<u>1,796,170</u>	<u>1,900,859</u>
Net assets:						
Invested in capital assets, net of related debt	1,141,495	1,445,429	1,930,186	1,841,769	3,071,681	3,287,198
Restricted	10,553	2,540	-	-	10,553	2,540
Unrestricted	<u>1,533,821</u>	<u>1,150,542</u>	<u>1,827,831</u>	<u>1,768,684</u>	<u>3,361,652</u>	<u>2,919,226</u>
Total net assets	<u>\$ 2,685,869</u>	<u>\$ 2,598,511</u>	<u>\$ 3,758,017</u>	<u>\$ 3,610,453</u>	<u>\$ 6,443,886</u>	<u>\$ 6,208,964</u>

BIRCH RUN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

Government-Wide Financial Analysis, continued:

The following table shows, in a condensed format, the changes in net assets for fiscal years 2008 and 2007:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Revenues:						
Program revenues						
Charges for services	\$ 392,267	\$ 348,861	\$ 525,377	\$ 487,757	\$ 917,644	\$ 836,618
Operating grants	51,776	48,560	-	-	51,776	48,560
Capital grants	4,087	56,389	-	-	4,087	56,389
General revenues						
Property taxes	266,557	259,183	-	-	266,557	259,183
Franchise taxes	34,403	16,703	-	-	34,403	16,703
State revenue sharing	310,288	308,714	-	-	310,288	308,714
Investment earnings	45,620	58,111	26,656	33,180	72,276	91,291
Total revenues	1,104,998	1,096,521	552,033	520,937	1,657,031	1,617,458
Expenses:						
General government	303,771	297,704	-	-	303,771	297,704
Public safety	227,395	207,253	-	-	227,395	207,253
Public works	211,012	181,331	-	-	211,012	181,331
Community and economic development	20,666	24,105	-	-	20,666	24,105
Recreation and culture	155,500	155,231	-	-	155,500	155,231
Interest on long-term debt	12,804	12,971	-	-	12,804	12,971
Water and Sewer	-	-	490,961	610,588	490,961	610,588
Total expenses	931,148	878,595	490,961	610,588	1,422,109	1,489,183
Excess of revenues over expenses before other	173,850	217,926	61,072	(89,651)	234,922	128,275
Other items:						
Gain on sale of capital assets	-	5,500	-	-	-	5,500
Transfers	(86,492)	(93,049)	86,492	93,049	-	-
Total other items	(86,492)	(87,549)	86,492	93,049	-	5,500
Change in net assets	87,358	130,377	147,564	3,398	234,922	133,775
Net assets, beginning of year	2,598,511	2,468,134	3,610,453	3,607,055	6,208,964	6,075,189
Net assets, end of year	\$ 2,685,869	\$ 2,598,511	\$ 3,758,017	\$ 3,610,453	\$ 6,443,886	\$ 6,208,964

BIRCH RUN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

The Township's Funds:

The fund financial statements begin on page 10 and provide detailed information on the most significant governmental funds – not the Township as a whole. The Township Board creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The Township's only major governmental fund for the 2007-2008 fiscal year is the General Fund.

Other major funds are the Water and Sewer Funds, which are categorized as Enterprise or business-type funds. These funds operate on revenues received from the customers (users) of the water and sewer system.

General Fund Budgetary Highlights:

Over the course of the year, the Township amended the budget to take into account various expenditures or revenue changes. These amendments were relatively minor.

Capital Assets and Debt Administration:

During the 2007-2008 fiscal year, the Township invested approximately \$71,000 in governmental capital assets which primarily included the purchase of computer and fire equipment and construction of a parking lot at the park. The Township's investment in business-type capital assets was approximately \$41,000, which included the purchase of a truck, equipment and water line relocation costs.

The Township reduced its long-term liabilities by approximately \$207,000 during the year.

Economic Factors:

The Township continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the Township is facing in upcoming years. The major sources of revenue for the Township are property taxes, State-shared revenues, and charges for services. These sources have certain limitations outside of the Township's control – taxable value of property in the Township has remained relatively flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the Township in what it can charge its customers. In comparison, certain expenses continue to rise at a rate higher than inflation, such as insurance, utility costs, and gasoline expenses.

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the Township's residents with the same level of service to which they have become accustomed.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Township Supervisor, 8411 Main Street, P.O. Box 152, Birch Run, Michigan 48415.

BASIC FINANCIAL STATEMENTS

BIRCH RUN TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2008

	<i>Primary Government</i>		
	<i>Governmental</i>	<i>Business-type</i>	
	<i>Activities</i>	<i>Activities</i>	<i>Total</i>
Assets:			
Cash and cash equivalents	\$ 1,183,581	\$ 1,097,328	\$ 2,280,909
Receivables	150,589	633,803	784,392
Internal balances	(45,257)	45,257	-
Prepaid expenses	13,383	-	13,383
Capital assets:			
Nondepreciable capital assets	54,000	-	54,000
Depreciable capital assets, net	1,676,795	3,090,004	4,766,799
Other	-	340,573	340,573
Total assets	<u>3,033,091</u>	<u>5,206,965</u>	<u>8,240,056</u>
Liabilities:			
Accounts payable and accrued expenses	52,572	139,130	191,702
Long-term liabilities:			
Due within one year	-	153,350	153,350
Due in more than one year	294,650	1,156,468	1,451,118
Total liabilities	<u>347,222</u>	<u>1,448,948</u>	<u>1,796,170</u>
Net assets:			
Invested in capital assets, net of related debt	1,141,495	1,930,186	3,071,681
Restricted for:			
Debt service	627	-	627
Nonexpendable cemetery principal	1,980	-	1,980
State construction code activities	7,946	-	7,946
Unrestricted net assets	<u>1,533,821</u>	<u>1,827,831</u>	<u>3,361,652</u>
Total net assets	<u>\$ 2,685,869</u>	<u>\$ 3,758,017</u>	<u>\$ 6,443,886</u>

The accompanying notes are an integral part of these financial statements.

BIRCH RUN TOWNSHIP

STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<i>Governmental activities:</i>					
General government	\$ 303,771	\$ 114,460	\$ 8,250	\$ 4,087	\$ (176,974)
Public safety	227,395	73,483	3,370	-	(150,542)
Public works	211,012	180,440	6,382	-	(24,190)
Community and economic development	20,666	19,645	-	-	(1,021)
Recreation and culture	155,500	4,239	33,774	-	(117,487)
Interest on long-term debt	12,804	-	-	-	(12,804)
Total governmental activities	<u>931,148</u>	<u>392,267</u>	<u>51,776</u>	<u>4,087</u>	<u>(483,018)</u>
<i>Business-type activities:</i>					
Water and Sewer	<u>490,961</u>	<u>525,377</u>	<u>-</u>	<u>-</u>	<u>34,416</u>
Total business-type activities	<u>490,961</u>	<u>525,377</u>	<u>-</u>	<u>-</u>	<u>34,416</u>
Total government	<u>\$1,422,109</u>	<u>\$ 917,644</u>	<u>\$ 51,776</u>	<u>\$ 4,087</u>	<u>\$ (448,602)</u>

The accompanying notes are an integral part of these financial statements.

	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>
<i>Changes in net assets:</i>			
Net (Expense) Revenue	\$ (483,018)	\$ 34,416	\$ (448,602)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	155,199	-	155,199
Property taxes captured for community development	111,354	-	111,354
Property taxes, levied for debt service	4	-	4
Franchise taxes	34,403	-	34,403
Grants and contributions not restricted to specific programs	310,288	-	310,288
Unrestricted investment earnings	45,620	26,656	72,276
Transfers	<u>(86,492)</u>	<u>86,492</u>	<u>-</u>
Total general revenues, contributions and special items	<u>570,376</u>	<u>113,148</u>	<u>683,524</u>
Change in net assets	87,358	147,564	234,922
Net assets, beginning of year	<u>2,598,511</u>	<u>3,610,453</u>	<u>6,208,964</u>
Net assets, end of year	<u><u>\$ 2,685,869</u></u>	<u><u>\$ 3,758,017</u></u>	<u><u>\$ 6,443,886</u></u>

BIRCH RUN TOWNSHIP

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2008

	<i>General Fund</i>	<i>Downtown Development Authority Fund</i>	<i>Library Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:					
Cash and cash equivalents	\$ 966,652	\$ 180,214	\$ 34,108	\$ 2,607	\$ 1,183,581
Taxes receivable	11,952	2,900	-	-	14,852
Accounts receivable	86,516	-	464	-	86,980
Due from other governmental units	48,757	-	-	-	48,757
Due from other funds	49,745	-	-	-	49,745
Prepaid expenditures	13,383	-	-	-	13,383
Total assets	<u>\$ 1,177,005</u>	<u>\$ 183,114</u>	<u>\$ 34,572</u>	<u>\$ 2,607</u>	<u>\$ 1,397,298</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 33,863	\$ 100	\$ 1,958	\$ -	\$ 35,921
Due to other funds	-	86,492	8,510	-	95,002
Deposits payable	11,955	-	-	-	11,955
Deferred revenue	31,303	-	-	-	31,303
Total liabilities	<u>77,121</u>	<u>86,592</u>	<u>10,468</u>	<u>-</u>	<u>174,181</u>
Fund balances:					
Reserved for:					
Prepaid expenditures	13,383	-	-	-	13,383
Debt service	-	-	-	627	627
Nonexpendable cemetery principal	-	-	-	1,980	1,980
State construction code activities	7,946	-	-	-	7,946
Unreserved:					
General fund	1,078,555	-	-	-	1,078,555
Special revenue funds	-	96,522	24,104	-	120,626
Total fund balances	<u>1,099,884</u>	<u>96,522</u>	<u>24,104</u>	<u>2,607</u>	<u>1,223,117</u>
Total liabilities and fund balances	<u>\$ 1,177,005</u>	<u>\$ 183,114</u>	<u>\$ 34,572</u>	<u>\$ 2,607</u>	<u>\$ 1,397,298</u>

The accompanying notes are an integral part of these financial statements.

BIRCH RUN TOWNSHIP

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2008

Total fund balances for governmental funds \$ 1,223,117

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	2,480,359	
Less accumulated depreciation	<u>(749,564)</u>	1,730,795

Interest payable in the governmental activities are not payable from
current resources and therefore are not reported in the governmental
funds. (4,696)

Deferred revenues reported in the governmental funds are recognized as
revenues for the governmental activities. 31,303

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Installment purchase contract	<u>(294,650)</u>	
-------------------------------	------------------	--

Net assets of governmental activities \$ 2,685,869

The accompanying notes are an integral part of these financial statements.

BIRCH RUN TOWNSHIP

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	<i>General Fund</i>	<i>Downtown Development Authority Fund</i>	<i>Library Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:					
Property taxes	\$ 220,497	\$ 111,354	\$ -	\$ 4	\$ 331,855
Licenses and permits	76,297	-	34,403	-	110,700
State grants	328,290	-	6,903	-	335,193
Contributions from other units	4,087	-	26,314	-	30,401
Charges for services	229,475	-	1,170	-	230,645
Fines and forfeits	1,736	-	1,338	-	3,074
Interest and rents	45,237	676	1,509	63	47,485
Other revenue	14,621	-	1,024	-	15,645
Total revenues	<u>920,240</u>	<u>112,030</u>	<u>72,661</u>	<u>67</u>	<u>1,104,998</u>
Expenditures:					
Current					
General government	280,040	-	-	-	280,040
Public safety	177,078	-	-	-	177,078
Public works	211,012	-	-	-	211,012
Community and economic development	15,412	5,029	-	-	20,441
Recreation and culture	21,269	-	102,830	-	124,099
Other	10,680	-	-	-	10,680
Capital outlay	68,400	-	2,751	-	71,151
Debt service					
Principal	28,239	-	-	-	28,239
Interest and fees	13,926	-	-	-	13,926
Total expenditures	<u>826,056</u>	<u>5,029</u>	<u>105,581</u>	<u>-</u>	<u>936,666</u>
Excess (deficiency) of revenues over expenditures	<u>94,184</u>	<u>107,001</u>	<u>(32,920)</u>	<u>67</u>	<u>168,332</u>
Other financing sources (uses):					
Transfers in	-	-	57,000	-	57,000
Transfers out	(57,000)	(86,492)	-	-	(143,492)
Total other financing sources (uses)	<u>(57,000)</u>	<u>(86,492)</u>	<u>57,000</u>	<u>-</u>	<u>(86,492)</u>
Net change in fund balances	37,184	20,509	24,080	67	81,840
Fund balances, beginning of year	<u>1,062,700</u>	<u>76,013</u>	<u>24</u>	<u>2,540</u>	<u>1,141,277</u>
Fund balances, end of year	<u>\$ 1,099,884</u>	<u>\$ 96,522</u>	<u>\$ 24,104</u>	<u>\$ 2,607</u>	<u>\$ 1,223,117</u>

The accompanying notes are an integral part of these financial statements.

BIRCH RUN TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2008

Net change in fund balances - total governmental funds \$ 81,840

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	71,351	
Less depreciation expense	<u>(95,194)</u>	(23,843)

Repayments of principal on long-term obligations are expenditures in governmental but the payments reduce long-term liabilities in the statement of net assets. 28,239

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest on notes payable	<u>1,122</u>
---------------------------------------------	--------------

Change in net assets of governmental activities \$ 87,358

The accompanying notes are an integral part of these financial statements.

BIRCH RUN TOWNSHIP

PROPRIETARY FUND STATEMENT OF NET ASSETS

March 31, 2008

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Totals</i>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 228,886	\$ 868,442	\$ 1,097,328
Accounts receivable	8,981	110,016	118,997
Special assessments receivable	652	3,751	4,403
Due from other funds	86,492	246,025	292,387
Total current assets	325,011	1,228,234	1,513,115
Noncurrent assets:			
Special assessments receivable	218,002	292,401	510,403
Capital assets:			
Depreciable capital assets, net	700,849	2,389,155	3,090,004
Deferred charges	340,573	-	340,573
Total noncurrent assets	1,259,424	2,681,556	3,940,980
Total assets	1,584,435	3,909,790	5,454,095
Liabilities:			
Current liabilities:			
Accounts payable	1,583	9,250	10,833
Due to other funds	246,025	41,235	247,130
Due to other governmental units	-	2,000	2,000
Deposits payable	102,738	-	102,738
Accrued interest payable	13,616	9,943	23,559
Current long-term debt	83,350	70,000	153,350
Total current liabilities	447,312	132,428	539,610
Noncurrent liabilities:			
Long-term debt	561,468	595,000	1,156,468
Total noncurrent liabilities	561,468	595,000	1,156,468
Total liabilities	1,008,780	727,428	1,696,078
Net assets:			
Invested in capital assets, net of related debt	206,031	1,724,155	1,930,186
Unrestricted	369,624	1,458,207	1,827,831
Total net assets	\$ 575,655	\$3,182,362	\$ 3,758,017

The accompanying notes are an integral part of these financial statements.

BIRCH RUN TOWNSHIP

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2008

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
Operating revenues:			
Charges for services	\$ 41,099	\$ 460,118	\$ 501,217
Penalties	-	7,230	7,230
Other	176	17,655	17,831
Total operating revenues	41,275	485,003	526,278
Operating expenses:			
Personnel	-	97,410	97,410
Fringe benefits	-	7,452	7,452
Supplies	3,957	22,534	26,491
Contracted services	1,349	30,547	31,896
Sewage treatment	10,642	-	10,642
Purchase of water	-	126,030	126,030
Telephone	460	907	1,367
Mileage	-	802	802
Dues and membership fees	-	953	953
Education and training	-	671	671
Printing and publishing	-	844	844
Insurance	-	2,345	2,345
Utilities	1,800	47	1,847
Repairs and maintenance	-	2,608	2,608
Other services and supplies	-	-	-
Depreciation	24,265	106,390	130,655
Total operating expenses	42,473	409,540	452,013
Operating income (loss)	(1,198)	75,463	74,265

continued

The accompanying notes are an integral part of these financial statements.

BIRCH RUN TOWNSHIP

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, continued

Year Ended March 31, 2008

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
Non-operating revenues (expenses);			
Interest income	-	26,656	26,656
Interest earned on special assessments	14,449	23,946	38,395
Capital contributions - Connection fees	-	5,900	5,900
Interest expense	(38,948)	(45,196)	(84,144)
Total non-operating revenues (expenses)	(24,499)	11,306	(13,193)
Net income (loss) before operating transfers	(25,697)	86,769	61,072
Operating transfers:			
Transfer from other funds	86,492	-	86,492
Net income (loss)	60,795	86,769	147,564
Net assets, beginning of year	514,860	3,095,593	3,610,453
Net assets, end of year	<u>\$ 575,655</u>	<u>\$3,182,362</u>	<u>\$ 3,758,017</u>

The accompanying notes are an integral part of these financial statements.

BIRCH RUN TOWNSHIP

PROPRIETARY FUND STATEMENT OF CASH FLOWS

Year Ended March 31, 2008

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
Cash flow from operating activities:			
Cash received from customers	\$ 41,769	\$ 489,177	\$ 530,946
Cash payments to employees	-	(97,410)	(97,410)
Cash payments to suppliers for goods and services	(26,327)	(365,486)	(391,813)
Net cash provided (used) by operating activities	15,442	26,281	41,723
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	(40,722)	(40,722)
Principal payments on capital debt	(103,350)	(75,000)	(178,350)
Interest paid on capital debt	(38,948)	(45,196)	(84,144)
Payments received on special assessments	25,915	65,516	91,431
Interest earned on special assessments	14,449	23,946	38,395
Transfer in for debt service payments	86,492	-	86,492
Surety bond for construction of lift station	226,397	-	226,397
Payments received for water line connections	-	5,900	5,900
Net cash used by capital and related financing activities	210,955	(65,556)	145,399
Cash flows from investing activities:			
Interest received	-	26,656	26,656
Net cash provided by investing activities	-	26,656	26,656
Net increase (decrease) in cash and cash equivalents	226,397	(12,619)	213,778
Cash and cash equivalents, beginning of year	2,489	881,061	883,550
Cash and cash equivalents, end of year	\$228,886	\$ 868,442	\$ 1,097,328

The accompanying notes are an integral part of these financial statements.

BIRCH RUN TOWNSHIP

PROPRIETARY FUND

STATEMENT OF CASH FLOWS, continued

Year Ended March 31, 2008

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,198)	\$ 75,463	\$ 74,265
Adjustments:			
Depreciation	24,265	106,390	130,655
Change in assets and liabilities:			
Accounts receivable	494	4,174	4,668
Due from other funds	-	(199,720)	(199,720)
Accounts payable and accrued expenses	496	2,796	3,292
Due to other funds	(7,154)	41,235	34,081
Due to other governmental units	-	(3,000)	(3,000)
Accrued interest payable	(1,461)	(1,057)	(2,518)
Net cash provided (used) by operating activities	<u>\$ 15,442</u>	<u>\$ 26,281</u>	<u>\$ 41,723</u>

The accompanying notes are an integral part of these financial statements.

BIRCH RUN TOWNSHIP

FIDUCIARY FUND
STATEMENT OF NET ASSETS
March 31, 2008

Assets:

Cash and cash equivalents	\$ 52,281
Total assets	<u>52,281</u>

Liabilities:

Accounts payable	39,455
Undistributed tax collections	<u>12,826</u>
Total liabilities	<u>52,281</u>

Net Assets:

Unrestricted	<u>-</u>
Total net assets	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

BIRCH RUN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Birch Run Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township and its component units. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit discussed below is included in the Township's reporting entity because of its operational or financial relationship with the Township.

Component Unit:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority are appointed by the Township board. The budgets and expenditures of the Downtown Development Authority must be approved by the Township board. The Township also has the ability to significantly influence operations of the Downtown Development Authority. The DDA is handled by the Township as a special revenue fund. The DDA is included with the Township financial statements using the blended presentation method because it serves as a financing source for capital projects and debt service payments benefiting the Township's operations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

BIRCH RUN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township’s net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

BIRCH RUN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental fund:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Downtown Development Authority Fund** is used to account for taxes captured for improvements to the downtown development district.

The **Library Fund** is used to account for restricted revenues used for the operation of the Township Library.

The Township reports the following major enterprise funds:

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

BIRCH RUN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

Assets, Liabilities and Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Distribution system	15-50 years
Equipment	5-25 years
Furniture and equipment	5-25 years
Site improvements	15-25 years
Vehicles	10-25 years

Compensated Absences – The Township does not allow the carryover of unused sick or vacation days.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

BIRCH RUN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Property taxes are levied and attached as an enforceable lien on December 1 each year based upon the assessed taxable valuation of property as of the preceding December 31. Taxes are due without penalty on or before February 14.

The 2007 taxable valuation of the Township totaled \$207,949,233 on which ad valorem taxes levied consisted of .9211 mills for the Township’s operating purposes.

The delinquent real property taxes of the Township are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year for all funds.

BIRCH RUN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township did not incur expenditures that were in excess of the amounts budgeted.

State Construction Code Act:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2007	\$ -
Current year building permit revenue	66,918
Related expenditures:	
Direct costs	<u>(58,972)</u>
Cumulative surplus at March 31, 2008	<u>\$ 7,946</u>

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Township Board is in accordance with Public Act 196 of 1997. The Township's deposits and investments have been made in accordance with statutory authority.

BIRCH RUN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

The Township's deposits are subject to several types of risk, which are presented in more detail as follows:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year-end, the Township had \$2,362,487 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$282,911 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. At year end, the Township had no investments.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 54,000	\$ -	\$ -	\$ 54,000
Depreciable capital assets:				
Buildings and improvements	1,002,059	-	-	1,002,059
Equipment	414,436	47,015	-	461,451
Furniture and equipment	-	-	-	-
Site improvements	301,234	24,336	-	325,570
Vehicles	637,279	-	-	637,279
	2,355,008	71,351	-	2,426,359
Accumulated depreciation	(654,370)	(95,194)	-	(749,564)
Total depreciable capital assets, net	1,700,638	(23,843)	-	1,676,795
Governmental activities, capital assets, net	\$ 1,754,638	\$ (23,843)	\$ -	\$ 1,730,795
Business-type activities:				
Depreciable capital assets				
Equipment	\$ 32,437	\$ 2,640	\$ -	\$ 35,077
Vehicles	19,903	20,285	-	40,188
Distribution system	4,985,575	17,797	-	5,003,372
Total capital assets	5,037,915	40,722	-	5,078,637
Accumulated depreciation	(1,857,978)	(130,655)	-	(1,988,633)
Business-type activities, capital assets, net	\$ 3,179,937	\$ (89,933)	\$ -	\$ 3,090,004

BIRCH RUN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	14,552
Public safety		50,317
Community and economic development		51
Recreation and culture		30,274
Total governmental activities	\$	<u>95,194</u>

Business-type activities:

Sewer	\$	24,265
Water		106,390
Total business-type activities	\$	<u>130,655</u>

NOTE 5: LONG-TERM LIABILITIES

The Township has installment contracts with Saginaw County and the Village of Birch Run that were used to finance water and sewer line construction and general obligation bonds that were used to finance the library building construction and a judgment settlement. The Township's long-term liabilities are general obligations, which are direct obligations of the government and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2008 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Annual Principal Installments</u>	<u>Original Loan Amount</u>	<u>Remaining Balance at Year-End</u>
<u>Governmental Activities</u>					
<u>Installment Purchase Contract</u>					
2006 Issue - Fire Truck	5/15/16	4.25%	\$ 13,971-20,399	\$ 336,569	\$ 265,198
<u>Business-type Activities</u>					
<u>Contracts Payable - Saginaw County</u>					
1994 Issue - Water line extension	6/1/05-6/1/14	5.45-7.00%	20,000-70,000	935,000	425,000
1995 Issue - Water extension/Refund # 1	6/1/05-6/1/15	4.40-6.00%	10,000-35,000	450,000	240,000
1996 Issue - Dixie Highway extension	6/1/05-6/1/16	5.30-5.75%	30,000	575,000	270,000
1996 Issue - Sewer System Capacity	6/1/05-6/1/16	4.5-5.875%	15,000	300,000	135,000
1997 Issue - Sewer System Improvements	6/1/05-6/1/17	6.10-6.20%	5,000-15,000	175,000	105,000
<u>Contracts Payable - Village of Birch Run</u>					
2003 Issue - Sewer Force Main Refunding	9/1/05-9/1/11	1.45-3.90%	26,933-31,185	265,073	114,818
<u>General Obligation Bonds</u>					
1994 Issue - Judgment - Engineering fees	5/1/05-5/1/09	5.90-7.10%	20,000	300,000	20,000

BIRCH RUN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

The following is a summary of long-term liabilities transactions for the year ended March 31, 2008:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
<i>Installment Purchase Contract</i>					
2006 Issue - Fire Truck	\$ 322,889	\$ -	\$ (28,239)	\$ 294,650	\$ 29,452
<u>Business-type Activities</u>					
<i>Contracts Payable - Saginaw County</i>					
1994 Issue - Water line extension	\$ 480,000	\$ -	\$ (55,000)	\$ 425,000	\$ 50,000
1995 Issue - Water extension/Refund # 1	260,000	-	(20,000)	240,000	20,000
1996 Issue - Dixie Highway extension	300,000	-	(30,000)	270,000	30,000
1996 Issue - Sewer System Capacity	150,000	-	(15,000)	135,000	15,000
1997 Issue - Sewer System Improvements	115,000	-	(10,000)	105,000	10,000
	<u>1,305,000</u>	<u>-</u>	<u>(130,000)</u>	<u>1,175,000</u>	<u>125,000</u>
<i>Contracts Payable - Village of Birch Run</i>					
2003 Issue - Sewer Force Main Refunding	143,168	-	(28,350)	114,818	28,350
	<u>143,168</u>	<u>-</u>	<u>(28,350)</u>	<u>114,818</u>	<u>28,350</u>
<i>General Obligation Bonds</i>					
1994 Issue - Judgment - Engineering fees	40,000	-	(20,000)	20,000	-
	<u>40,000</u>	<u>-</u>	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
	<u>\$ 1,488,168</u>	<u>\$ -</u>	<u>\$ (178,350)</u>	<u>\$ 1,309,818</u>	<u>\$ 153,350</u>

Annual debt service requirements to maturity for the above contractual obligations are as follows:

Year Ended March 31,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 29,452	\$ 12,213	\$ 41,665	\$ 153,350	\$ 70,371	\$ 223,721
2010	30,717	10,948	41,665	186,933	61,866	248,799
2011	32,037	9,628	41,665	168,350	52,028	220,378
2012	33,413	8,252	41,665	176,185	42,476	218,661
2013	34,848	6,817	41,665	155,000	32,870	187,870
2014	36,344	5,321	41,665	160,000	33,335	193,335
2015	37,906	3,759	41,665	160,000	13,616	173,616
2016	39,534	2,131	41,665	80,000	6,427	86,427
2017	20,399	433	20,832	55,000	2,515	57,515
2018	-	-	-	15,000	465	15,465
	<u>\$ 294,650</u>	<u>\$ 59,502</u>	<u>\$ 354,152</u>	<u>\$ 1,309,818</u>	<u>\$ 315,969</u>	<u>\$ 1,625,787</u>

BIRCH RUN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Township's governmental and business-type activities in the aggregate are as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>
Receivables:		
Taxes	\$ 14,852	\$ -
Special assessments		
Due within one year	-	4,403
Due in more than one year	-	510,403
Accounts	86,980	118,997
Intergovernmental	<u>48,757</u>	<u>-</u>
 Total receivables	 <u>\$ 150,589</u>	 <u>\$ 633,803</u>
Accounts payable and accrued expenses:		
Accounts	\$ 35,921	\$ 10,833
Interest	4,696	23,559
Intergovernmental	-	2,000
Deposits payable	<u>11,955</u>	<u>102,738</u>
 Total accounts payable and accrued expenses	 <u>\$ 52,572</u>	 <u>\$ 139,130</u>

NOTE 7: INTERFUND BALANCES

The composition of interfund receivable and payable balances at March 31, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Library Fund	\$ 8,510
General Fund	Water and Sewer System Fund	41,235
		<u>49,745</u>
Water and Sewer System Fund	Downtown Development Authority Fund	<u>86,492</u>
		<u>\$ 136,237</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

BIRCH RUN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 8: INTERFUND TRANSFERS

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
<i>Major Governmental Fund:</i> General Fund	<i>Major Governmental Fund:</i> Library Fund	\$ 57,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9: SPECIAL ASSESSMENTS RECEIVABLE

The Township has levied special assessments for the financing of water and sewer lines within the Township. These special assessments receivable balances as of March 31, 2008 are as follows:

ENTERPRISE FUNDS:

1989 Water Extension #2 - Birch Run	\$ 3,786
1989 Water Extension #2 - Frankenmuth	2,243
1994 Water Extension #3	220,123
1995 Water Extension #4	70,000
1996 Sewer Extension #2	119,999
1997 Sewer Extension - Dixie Highway	98,655
	<u>\$ 514,806</u>

NOTE 10: OTHER ASSET – ADDITIONAL PURCHASED CAPACITY

The Township entered into a contract with the Genesee Sewer System for the right to treat up to 30 million gallons of sewage monthly. (There is no expiration of this right and the Township did not acquire any tangible property.) The contract agreement cost was \$681,145.97. During the year ended March 31, 1991 the Township sold 50% of this right to the Village of Birch Run for \$340,573. The unamortized balance of \$340,573 is carried as an other asset of the Water and Sewer System Fund. The Township has not yet exercised their rights in connection with this contract.

BIRCH RUN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 11: DEFERRED REVENUE IN GOVERNMENTAL FUNDS

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total Deferred Revenue</u>
Accounts receivable - tax lien	\$ 31,303	\$ -	\$ 31,303

Only the unearned component of deferred revenue is carried forward to the government-wide statement of net assets.

NOTE 12: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries (workers' compensation), and natural disasters.

The Township manages its workers compensation risk by purchasing commercial insurance and its liability and property risk by participating in the Michigan Township Participating Plan a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium for its workers compensation, property and liability insurance coverage. The Michigan Township Participating Plan is self-sustaining through member premiums. The Michigan Township Participating Plan provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 13: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. Participation in the plan is optional.

Post Employment Benefits:

The Township has no post employment benefits other than the pension plan described above.

BIRCH RUN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 14: FUND EQUITY

Specific reservations of fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

Reserved for debt service – This reserve was created to indicate that the portion of fund balance represented by debt service is not available for appropriation.

Reserved for nonexpendable cemetery principal – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for cemetery care.

Reserved for state construction code activity – This reserve was created to indicate that portion of fund balance representing the cumulative surplus of construction code fees charged in excess of construction code costs.

NOTE 15: DOWNTOWN DEVELOPMENT AUTHORITY AGREEMENTS

To the extent that future DDA captured tax revenues are available, the Township DDA has made agreements to be obligated to the Township Water and Sewer System Fund for repayment of the following debts:

1. \$575,000 Sanitary Sewer System Improvement Bonds issued by Saginaw County December 5, 1996. The balance due on these bonds at March 31, 2008 is \$270,000.
2. Contract Payable to Birch Run Village for 28.35% of the past and future payments due on the 1992, \$1.4 million, Village Sanitary Sewer System Bonds payable through Genesee County. These bonds were refunded in 2003. The balance due on these bonds at March 31, 2008 was \$114,818.
3. \$75,000 of the \$175,000 Sewer System Improvement Bonds issued by Saginaw County in May, 1997. The March 31, 2008 total balance of these bonds is \$105,000.
4. A pro-rata portion of the \$300,000 Judgment Bonds Payable. The amount is to be determined annually based on the DDA's use of the Township's sewer engineering plans. The balance due on this debt as of March 31, 2008 is \$20,000.

During the year ended March 31, 2008 the Downtown Development Authority transferred \$86,492 to the Sewer Fund in connection with these agreements.

BIRCH RUN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 16: PRIOR PERIOD ADJUSTMENT – ACCOUNTING POLICY

The Township has split the Water and Sewer System Fund in to two separate funds, the Sewer Fund and Water Fund. The beginning net assets have been divided as follows:

	Water and Sewer System Fund	Sewer Fund	Water Fund
Beginning Net Assets	\$ 3,610,453	\$ -	\$ -
Allocation of Net Assets	<u>(3,610,453)</u>	<u>514,860</u>	<u>3,095,593</u>
Beginning Net Assets as Allocated	<u>-</u>	<u>514,860</u>	<u>3,095,593</u>

REQUIRED SUPPLEMENTAL INFORMATION

BIRCH RUN TOWNSHIP

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Property taxes	\$ 211,050	\$ 211,050	\$ 220,497	\$ 9,447
Licenses and permits	57,500	57,500	76,297	18,797
State grants	337,000	337,000	328,290	(8,710)
Contributions from other units	-	-	4,087	4,087
Charges for services	213,250	213,250	229,475	16,225
Fines and forfeits	750	750	1,736	986
Interest and rents	17,600	17,600	45,237	27,637
Other revenue	7,500	7,500	14,621	7,121
Total revenues	844,650	844,650	920,240	75,590
Expenditures:				
Current				
General government	285,133	287,533	280,040	(7,493)
Public safety	180,400	180,400	177,078	(3,322)
Public works	223,200	220,800	211,012	(9,788)
Community and economic development	15,450	15,450	15,412	(38)
Recreation	21,500	21,500	21,269	(231)
Other	11,000	11,000	10,680	(320)
Capital outlay	249,087	249,087	68,400	(180,687)
Debt service				
Principal	28,239	28,239	28,239	-
Interest and fees	15,601	15,601	13,926	(1,675)
Total expenditures	1,029,610	1,029,610	826,056	(203,554)
Excess (deficiency) of revenues over expenditures	(184,960)	(184,960)	94,184	279,144
Other financing sources (uses):				
Transfers out	(57,000)	(57,000)	(57,000)	-
Net change in fund balance	(241,960)	(241,960)	37,184	279,144
Fund balance, beginning of year	1,062,700	1,062,700	1,062,700	-
Fund balance, end of year	\$ 820,740	\$ 820,740	\$ 1,099,884	\$ 279,144

BIRCH RUN TOWNSHIP

DOWNTOWN DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i><u>Budgeted Amounts</u></i>			<i><u>Actual</u></i>
	<i><u>Original</u></i>	<i><u>Final</u></i>	<i><u>Actual</u></i>	<i><u>Over (Under)</u></i>
				<i><u>Final Budget</u></i>
Revenues:				
Property taxes	\$ 106,031	\$ 106,031	\$ 111,354	\$ 5,323
Interest and rents	-	500	676	176
Total revenues	106,031	106,531	112,030	5,499
Expenditures:				
Current				
Community and economic development	5,000	5,500	5,029	(471)
Total expenditures	5,000	5,500	5,029	(471)
Excess (deficiency) of revenues over expenditures	101,031	101,031	107,001	5,970
Other financing sources:				
Transfers out	(86,492)	(86,492)	(86,492)	-
Net change in fund balance	14,539	14,539	20,509	5,970
Fund balance, beginning of year	76,013	76,013	76,013	-
Fund balance, end of year	<u>\$ 90,552</u>	<u>\$ 90,552</u>	<u>\$ 96,522</u>	<u>\$ 5,970</u>

BIRCH RUN TOWNSHIP

LIBRARY FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Licenses and permits	\$ 26,500	\$ 26,500	\$ 34,403	\$ 7,903
State grants	5,000	5,000	6,903	1,903
Contributions from other units	23,000	23,000	26,314	3,314
Charges for services	600	600	1,170	570
Fines and forfeits	1,000	1,000	1,338	338
Interest and rents	725	725	1,509	784
Other revenue	350	350	1,024	-
Total revenues	57,175	57,175	72,661	14,812
Expenditures:				
Current				
Recreation and culture	107,530	107,530	102,830	(4,700)
Capital outlay	2,995	2,995	2,751	(244)
Total expenditures	110,525	110,525	105,581	(4,944)
Excess (deficiency) of revenues over expenditures	(53,350)	(53,350)	(32,920)	19,756
Other financing sources:				
Transfers in	57,000	57,000	57,000	-
Net change in fund balance	3,650	3,650	24,080	19,756
Fund balance, beginning of year	24	24	24	-
Fund balance, end of year	\$ 3,674	\$ 3,674	\$ 24,104	\$ 19,756

OTHER SUPPLEMENTAL INFORMATION

BIRCH RUN TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2008

Current Taxes:

Property taxes	\$ 153,460
Trailer tax	224
Penalties and interest on taxes	1,515
Administration fees	65,298
	<u>220,497</u>

Licenses and permits:

Business licenses and permits	8,790
Nonbusiness licenses and permits	67,507
	<u>76,297</u>

State Grants:

Liquor license fees	3,370
State revenue sharing - sales tax	310,288
Metro Act	6,382
State property tax collection reimbursement	8,250
	<u>328,290</u>

Contribution from other units:

Contributions from school districts	<u>4,087</u>
-------------------------------------	--------------

Charges for services:

Refuse collection fees	180,440
Cemetery fees	14,700
Copies	205
Fire runs	4,240
Zoning/Variance/Appeals fees	19,645
Other	245
	<u>229,475</u>

Fines and forfeits:

Ordinance fines	<u>1,736</u>
	<u>1,736</u>

Interest and rents:

Interest	44,636
Rents	601
	<u>45,237</u>

Other Revenue:

Cemetery lots/perpetual care	4,000
Contributions and donations	4,835
Reimbursements	2,060
Refunds and rebates	862
Other	2,864
	<u>14,621</u>

Total revenues	<u><u>\$ 920,240</u></u>
----------------	--------------------------

BIRCH RUN TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2008

General Government:

Board:

Personnel	\$ 4,300
Fringe benefits	329
Supplies	374
Contracted services	65
Mileage	154
Dues and memberships	3,778
Education and training	835
Printing and publications	1,298
	<u>11,133</u>

Supervisor:

Personnel	24,260
Fringe benefits	1,856
Supplies	466
Telephone	575
Mileage	265
Education and training	476
	<u>27,898</u>

Clerk:

Personnel	30,000
Fringe benefits	2,316
Supplies	1,443
Contracted services	1,945
Mileage	314
Dues and memberships	25
Education and training	409
	<u>36,452</u>

Audit/Accounting:

Contracted services	<u>12,670</u>
---------------------	---------------

Board of Review:

Personnel	1,490
Fringe benefits	114
Printing and publications	246
	<u>1,850</u>

BIRCH RUN TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2008

General Government (continued):

Treasurer:

Personnel	30,000
Fringe benefits	2,065
Supplies	1,459
Contracted services	6,634
Mileage	349
	<hr/>
	40,507

Assessor:

Supplies	3,985
Contracted services	40,387
	<hr/>
	44,372

Elections:

Supplies	3,579
Contracted services	4,778
Mileage	173
Printing and publications	624
	<hr/>
	9,154

Hall and Grounds:

Supplies	6,000
Contracted services	11,857
Telephone	3,504
Insurance	9,490
Utilities	7,143
Repairs and maintenance	160
	<hr/>
	38,154

Attorney:

Contracted services	19,855
	<hr/>

Cemetery:

Personnel	600
Fringe benefits	46
Supplies	249
Contracted services	32,634
Utilities	789
	<hr/>
	34,318

Other Governmental Services:

Contracted services	3,677
	<hr/>

Total general government	<hr/>
	280,040

BIRCH RUN TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2008

Public Safety:

Police:

Contracted services	<u>24,642</u>
---------------------	---------------

Liquor Enforcement:

Contracted services	<u>3,372</u>
---------------------	--------------

Fire:

Personnel	27,074
Fringe benefits	2,071
Supplies	15,898
Contracted services	8,204
Telephone	2,127
Dues and memberships	3,395
Education and training	4,540
Insurance	13,551
Utilities	8,673
Repairs and maintenance	<u>4,559</u>
	<u>90,092</u>

Building Inspection Department:

Personnel	50,502
Fringe benefits	4,072
Supplies	951
Contracted services	1,770
Telephone	1,110
Mileage	39
Dues and memberships	7
Education and training	479
Printing and publications	<u>42</u>
	<u>58,972</u>

Total public safety	<u>177,078</u>
---------------------	----------------

Public Works:

Roads:

Contracted services	<u>44,373</u>
---------------------	---------------

Street Lights:

Utilities	<u>10,324</u>
-----------	---------------

Refuse:

Contracted services	<u>154,851</u>
---------------------	----------------

Total public works	<u>209,548</u>
--------------------	----------------

BIRCH RUN TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2008

Community and Economic Development:

Planning

Personnel	1,600
Fringe benefits	123
Supplies	614
Contracted services	3,806
Mileage	23
Dues and memberships	60
Printing and publishing	930
	<u>7,156</u>

Zoning

Personnel	6,640
Fringe benefits	508
Contracted services	1,108
	<u>8,256</u>

Total community and economic development	<u>15,412</u>
------------------------------------------	---------------

Recreation:

Parks Department:

Supplies	968
Contracted services	20,090
Utilities	211
Total recreation	<u>21,269</u>

Capital Outlay:

General government	26,636
Public safety	15,678
Community and economic development	1,187
Recreation	24,899
Total capital outlay	<u>68,400</u>

Debt Service:

Principal	28,239
Interest and fees	13,926
Total debt service	<u>42,165</u>

Total expenditures	813,912
--------------------	---------

Other Financing Uses:

Transfers to other funds	<u>57,000</u>
--------------------------	---------------

Total expenditures and other financing uses	<u>\$ 870,912</u>
---------------------------------------------	-------------------

BIRCH RUN TOWNSHIP

NONMAJOR GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2008

	<i><u>Debt Service Fund</u></i>	<i><u>Permanent Fund</u></i>	<i><u>Total Nonmajor Governmental Funds</u></i>
Assets:			
Cash and cash equivalents	\$ 627	\$ 1,980	\$ 2,607
Total assets	<u>\$ 627</u>	<u>\$ 1,980</u>	<u>\$ 2,607</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for:			
Debt service	627	-	627
Nonexpendable cemetery principal	<u>-</u>	<u>1,980</u>	<u>1,980</u>
Total fund balances	<u>627</u>	<u>1,980</u>	<u>2,607</u>
Total liabilities and fund balances	<u>\$ 627</u>	<u>\$ 1,980</u>	<u>\$ 2,607</u>

BIRCH RUN TOWNSHIP

NONMAJOR GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	<i>Debt Service Fund</i>	<i>Permanent Fund</i>	<i>Total Nonmajor Governmental Funds</i>
	<i>Library Debt</i>	<i>Cemetery Perpetual Care</i>	
Revenues:			
Property taxes	\$ 4	\$ -	\$ 4
Interest and rents	-	63	63
Total revenues	4	63	67
Expenditures:			
Current			
General government	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	4	63	67
Fund balances, beginning of year	623	1,917	2,540
Fund balances, end of year	\$ 627	\$ 1,980	\$ 2,607

BIRCH RUN TOWNSHIP

FIDUCIARY FUNDS – AGENCY FUND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

March 31, 2008

	<u>April 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>March 31, 2008</u>
<u>CURRENT TAX COLLECTION</u>				
Assets:				
Cash and cash equivalents	\$ 39,111	\$ 6,366,285	\$ 6,353,115	\$ 52,281
Liabilities:				
Accounts payable	\$ 29,648	\$ 9,807	\$ -	\$ 39,455
Undistributed tax collections	9,463	6,356,478	6,353,115	12,826
	<u>\$ 39,111</u>	<u>\$ 6,366,285</u>	<u>\$ 6,353,115</u>	<u>\$ 52,281</u>

BIRCH RUN TOWNSHIP

GOVERNMENTAL FUNDS

SCHEDULE OF INDEBTEDNESS

March 31, 2008

2006 INSTALLMENT CONTRACT PAYABLE - FIRE TRUCK

Issue dated 5/15/06 in the amount of	\$	336,569
Less:		
Principal paid in prior years		(13,680)
Principal paid in current year		<u>(28,239)</u>
Balance payable at March 31, 2008	\$	<u>294,650</u>

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>		<u>Total Annual Requirement</u>
		<u>5/15</u>	<u>11/15</u>	<u>5/15</u>	<u>11/15</u>	
2009	4.250%	\$ 6,261	\$ 5,952	\$ 14,571	\$ 14,881	\$ 41,665
2010	4.250%	5,635	5,313	15,197	15,520	41,665
2011	4.250%	4,982	4,646	15,850	16,187	41,665
2012	4.250%	4,302	3,950	16,531	16,882	41,665
2013	4.250%	3,592	3,225	17,241	17,607	41,665
2014	4.250%	2,852	2,469	17,981	18,363	41,665
2015	4.250%	2,079	1,680	18,754	19,152	41,665
2016	4.250%	1,273	858	19,559	19,975	41,665
2017	4.250%	433	-	20,399	-	20,832
		<u>\$ 31,409</u>	<u>\$ 28,093</u>	<u>\$ 156,083</u>	<u>\$ 138,567</u>	<u>\$ 354,152</u>

BIRCH RUN TOWNSHIP

PROPRIETARY FUND

SCHEDULE OF INDEBTEDNESS - WATER EXTENSION #2

March 31, 2008

1994 CONTRACT PAYABLE - WATER EXTENSION #2

Issue dated 6/1/94 in the amount of \$ 935,000

Less: Principal paid in prior years (455,000)
Principal paid in current year (55,000)

Balance payable at March 31, 2008 \$ 425,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>6/1</u>	<u>12/1</u>	<u>6/1</u>	
2009	6.100%	\$ 13,427	\$ 11,903	\$ 50,000	\$ 75,330
2010	6.20%	11,903	10,197	55,000	77,100
2011	6.30%	10,197	8,465	55,000	73,662
2012	6.35%	8,465	6,560	60,000	75,025
2013	6.40%	6,560	4,480	65,000	76,040
2014	6.40%	4,480	2,240	70,000	76,720
2015	6.40%	<u>2,240</u>	<u>-</u>	<u>70,000</u>	<u>72,240</u>
		<u>\$ 57,272</u>	<u>\$ 43,845</u>	<u>\$ 425,000</u>	<u>\$ 526,117</u>

BIRCH RUN TOWNSHIP

PROPRIETARY FUND

SCHEDULE OF INDEBTEDNESS - WATER SUPPLY SYSTEM AND WATER EXTENSION #3

March 31, 2008

1995 CONTRACT PAYABLE - WATER SUPPLY SYSTEM AND EXTENSION #3

Issue dated 6/1/95 in the amount of \$ 450,000

Less: Principal paid in prior years (190,000)
Principal paid in current year (20,000)

Balance payable at March 31, 2008 \$ 240,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>6/1</u>	<u>12/1</u>	<u>6/1</u>	
2009	5.500%	\$ 6,998	\$ 6,447	\$ 20,000	\$ 33,445
2010	5.60%	6,448	5,607	30,000	42,055
2011	5.70%	5,608	4,752	30,000	40,360
2012	5.80%	4,753	3,882	30,000	38,635
2013	5.90%	3,883	2,850	35,000	41,733
2014	6.00%	2,850	1,800	35,000	39,650
2015	6.00%	1,800	750	35,000	37,550
2016	6.00%	<u>750</u>	<u>-</u>	<u>25,000</u>	<u>25,750</u>
		<u>\$ 33,090</u>	<u>\$ 26,088</u>	<u>\$ 240,000</u>	<u>\$ 299,178</u>

BIRCH RUN TOWNSHIP

PROPRIETARY FUND

SCHEDULE OF INDEBTEDNESS - SANITARY SEWER SYSTEM IMPROVEMENTS

March 31, 2008

1996 CONTRACT PAYABLE - DIXIE HIGHWAY SEWER EXTENSION

Issue dated 6/1/96 in the amount of \$ 575,000

Less: Principal paid in prior years (275,000)
Principal paid in current year (30,000)

Balance payable at March 31, 2008 \$ 270,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>6/1</u>	<u>12/1</u>	<u>6/1</u>	
2009	5.450%	\$ 7,567	\$ 6,750	\$ 30,000	\$ 44,317
2010	5.50%	6,750	5,925	30,000	42,675
2011	5.50%	5,925	5,100	30,000	41,025
2012	5.60%	5,100	4,260	30,000	39,360
2013	5.65%	4,260	3,412	30,000	37,672
2014	5.65%	3,413	2,565	30,000	35,978
2015	5.65%	2,565	1,718	30,000	34,283
2016	5.70%	1,717	863	30,000	32,580
2017	5.75%	<u>862</u>	<u>-</u>	<u>30,000</u>	<u>30,862</u>
		<u>\$ 38,159</u>	<u>\$ 30,593</u>	<u>\$ 270,000</u>	<u>\$ 338,752</u>

BIRCH RUN TOWNSHIP

PROPRIETARY FUND

SCHEDULE OF INDEBTEDNESS - SANITARY SEWER SYSTEM CAPACITY

March 31, 2008

1996 CONTRACT PAYABLE - GENESSE COUNTY SEWER SYSTEM CAPACITY

Issue dated 6/1/96 in the amount of \$ 300,000

Less: Principal paid in prior years (150,000)
Principal paid in current year (15,000)

Balance payable at March 31, 2008 \$ 135,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>6/1</u>	<u>12/1</u>	<u>6/1</u>	
2009	5.000%	\$ 3,600	\$ 3,225	\$ 15,000	\$ 21,825
2010	5.10%	3,225	2,842	15,000	21,067
2011	5.20%	2,843	2,452	15,000	20,295
2012	5.30%	2,453	2,055	15,000	19,508
2013	5.40%	2,055	1,650	15,000	18,705
2014	5.50%	1,650	1,237	15,000	17,887
2015	5.50%	1,238	825	15,000	17,063
2016	5.50%	825	412	15,000	16,237
2017	5.50%	<u>413</u>	<u>-</u>	<u>15,000</u>	<u>15,413</u>
		<u>\$ 18,302</u>	<u>\$ 14,698</u>	<u>\$ 135,000</u>	<u>\$ 168,000</u>

BIRCH RUN TOWNSHIP

PROPRIETARY FUND

SCHEDULE OF INDEBTEDNESS - SEWER SYSTEM

March 31, 2008

1997 CONTRACT PAYABLE - SEWER SYSTEM IMPROVEMENTS

Issue dated 6/1/97 in the amount of \$ 175,000

Less: Principal paid in prior years (60,000)
Principal paid in current year (10,000)

Balance payable at March 31, 2008 \$ 105,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>6/1</u>	<u>12/1</u>	<u>6/1</u>	
2009	6.150%	\$ 3,250	\$ 2,943	\$ 10,000	\$ 16,193
2010	6.15%	2,943	2,635	10,000	15,578
2011	6.20%	2,635	2,325	10,000	14,960
2012	6.20%	2,325	2,015	10,000	14,340
2013	6.20%	2,015	1,705	10,000	13,720
2014	6.20%	1,705	1,395	10,000	13,100
2015	6.20%	1,395	1,085	10,000	12,480
2016	6.20%	1,085	775	10,000	11,860
2017	6.20%	775	465	10,000	11,240
2018	6.20%	<u>465</u>	<u>-</u>	<u>15,000</u>	<u>15,465</u>
		<u>\$ 18,593</u>	<u>\$ 15,343</u>	<u>\$ 105,000</u>	<u>\$ 138,936</u>

BIRCH RUN TOWNSHIP

PROPRIETARY FUND

SCHEDULE OF INDEBTEDNESS - SEWER LINE

March 31, 2008

2003 CONTRACT PAYABLE - SEWER FORCE MAIN

Issue dated 9/1/03 in the amount of \$ 265,073

Less: Principal paid in prior years (121,905)
Principal paid in current year (28,350)

Balance payable at March 31, 2008 \$ 114,818

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>9/1</u>	<u>3/1</u>	<u>9/1</u>	
2009	3.00%	\$ 1,988	\$ 1,563	\$ 28,350	\$ 31,901
2010	3.30%	1,563	1,118	26,933	29,614
2011	3.60%	1,118	608	28,350	30,076
2012	3.90%	<u>608</u>	<u>-</u>	<u>31,185</u>	<u>31,793</u>
		<u>\$ 5,277</u>	<u>\$ 3,289</u>	<u>\$ 114,818</u>	<u>\$ 123,384</u>

BIRCH RUN TOWNSHIP

PROPRIETARY FUND

SCHEDULE OF INDEBTEDNESS - JUDGMENT BONDS

March 31, 2008

1994 GENERAL OBLIGATION BONDS PAYABLE - JUDGEMENT

Issue dated 5/1/94 in the amount of \$ 300,000

Less: Principal paid in prior years (260,000)
Principal paid in current year (20,000)

Balance payable at March 31, 2008 \$ 20,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>5/1</u>	<u>11/1</u>	<u>5/1</u>	
2009	7.10%	\$ -	\$ 710	\$ -	\$ 710
2010	7.10%	<u>710</u>	<u>-</u>	<u>20,000</u>	<u>20,710</u>
		<u>\$ 710</u>	<u>\$ 710</u>	<u>\$ 20,000</u>	<u>\$ 21,420</u>



REQUIRED COMMUNICATION TO BIRCH RUN TOWNSHIP IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Township Board
Birch Run Township

We have audited the financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of Birch Run Township for the year ended March 31, 2008, and have issued our report thereon dated September 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 19, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Birch Run Township are described in Note 1 to the financial statements. Effective April 1, 2007, the Township changed the reporting of the Water and Sewer System Fund from one fund into reporting two funds – the Sewer Fund and the Water Fund. No other new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered unusual difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of Birch Run Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Birch Run Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

Other Audit Findings or Issues

We have provided the Township with a separate memorandum concerning discussions we have had about a variety of bookkeeping related matters.

This communication is intended solely for the information and use of management, Township Board, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants
Saginaw, Michigan
September 24, 2008